



**Pre – budget Submission 2011**

**To: Department of Social  
Protection**

**October 2010**

## **Threshold submission to the Department of Social Protection - Budget 2011**

Threshold makes this submission as part of the Department of Social Protection's deliberations for the forthcoming Budget for 2011. We welcome the Minister's active engagement since his appointment with housing charities including Threshold. We also ask that the Minister uses this Budget to protect the most vulnerable people in Irish society, including those who have lost employment due to the recession.

This submission focuses on rent supplement, the income support which assists people living on social welfare incomes to meet their housing costs. The recession has seen a doubling of the number of households moving onto rent supplement and this is an inevitable consequence of people losing jobs. There are now some 96,000 households who rely on rent supplement to pay the rent. This costs the Exchequer over €500 million per annum.

As part of Budget 2011, Threshold calls on the Department of Social Protection to:

- Protect the entitlements of households in receipt of rent supplement;
- Ensure that people in receipt of rent supplement live in good quality accommodation;
- Ensure that landlords who receive rent supplement are fully compliant with their obligations under the Residential Tenancies Act and the Housing Acts;
- Apply a withholding tax to rent supplement payments where the landlord cannot show they are tax-compliant;
- Make a contribution to tenancy sustainment;
- Reform rent supplement to make it more attractive for landlords to accept tenants on rent supplement.

### Protect the entitlements of rent supplement households

Threshold calls on the Department of Social Protection to ensure that the situation of people dependent on social welfare is protected in the forthcoming Budget. We appreciate that there are severe financial pressures on Government but call on Government to ensure that the most vulnerable people in society are not detrimentally affected by Budget cuts.

This applies, in particular, to households in receipt of rent supplement. For many years, this sector has lived in poor quality accommodation and many have been forced to pay landlords top-ups above and beyond their tenant contribution. Threshold calls for reform of rent supplement which bring both savings to the Exchequer but ensures that already vulnerable rent supplement recipients are not stretched further.

It should be recalled that recipients of rent supplement are already on the breadline and have very little, if any, disposable income. Threshold has included proposals in this submission to save money through reform of rent supplement and by ensuring that landlords are legally- and tax-compliant.

### Ensuring the provision of good quality accommodation

There now exists a significant opportunity for the Department to ensure that recipients of rent supplement live in accommodation which complies with the minimum standards provided in law. We know that the Minister shares our concern that the State pays rent supplement to landlords who rent out substandard accommodation.

The fact that so many rent supplement recipients live in substandard accommodation means that it is difficult to move them from rent supplement and into the Rental Accommodation Scheme or other long-term housing options. Threshold calls on Government to ensure that all accommodation for which rent supplement is paid also meets the standards applicable to RAS. This ensures the smooth transition of people from rent supplement and into long-term housing.

Moving people from rent supplement is important for Government from a budgetary point of view. The State could negotiate lower rents with private landlords if it dealt directly with landlords. The indirect nature of the relationship under rent supplement means that the State is reliant on the tenant to negotiate a good deal on its behalf. Through RAS and other leasing options, it is the State who negotiates directly with landlords. Getting recipients into RAS quickly ensures that the State can negotiate better deals with landlords, in particular lower rents.

The situation where tenants live for many years on rent supplement delivers poor value for the State. The absence of a direct negotiation with the landlord limits the capacity of the State to agree cheaper rents with landlords. Instead, the State is reliant on crude maximum area rents and cannot offer landlords long-term contracts in spite of the fact that in many instances the relationship has been ongoing for some time with the same landlords.

Threshold believes that the poor quality of much rented accommodation inhibits recipients of rent supplement from moving onto the Rental Accommodation Scheme. Ensuring that all accommodation let under rent supplement also meets the RAS standard would help tenants move to RAS.

Given that rent supplement tenancies make up some 50% of the rented market, the Department of Social Protection has a significant role to play as an advocate for a better inspection regime of rented accommodation. The new minimum standards are a major step forward but the inspection regime lags behind. This can have a severely detrimental impact on the quality of life of low-income tenants and may lead to ill-health and educational disadvantage. Threshold hopes that the Minister will raise this issue in Government to ensure that the local authorities carry out their responsibilities more actively in this area.

Threshold would be grateful for the Minister's support for our policy goal of having a certification regime, where rented accommodation would have to be certified prior to being offered for rent. This would mirror the current BER regime and cover the entire

range of minimum standards. A landlord would have to certify the property as compliant with minimum standards prior to it being offered for rent.

#### Landlords would benefit from rent supplement should be legally and tax compliant

All landlords should be compliant with their obligations under law. Threshold is concerned that there exists a minority of landlords who specialise in renting poor quality accommodation and who fail to comply with other legal obligations. It is Threshold's experience that a landlord who is non-compliant in one area will be non-compliant in others. One in every two cases referred to the Private Residential Tenancies Board by tenants for breach of landlord obligations relates to a landlord who has not registered the tenancy.

Landlords who receive rent supplement must meet their tax obligations. Some landlords must receive thousands of euro in rent supplement but do not pay the full tax owed on their rental income. Threshold calls on the Department to apply a withholding tax on rent supplement where the landlord has not established that they are fully tax compliant. This is the most effective way of ensuring tax compliance from landlords who receive rent supplement.

Threshold calls for registration of the tenancy with the Private Residential Tenancies Board to be a condition of continued payment of rent supplement. We also call for a more rigorous inspection regime of accommodation rented out to rent supplement recipients. The new minimum standards of rented accommodation are a significant step forward but there are not enough inspections of properties. Threshold calls on local authorities to target older properties and those rented to recipients of rent supplement. This matter is not a direct line responsibility of the Department of Social Protection, but it should liaise closely with the Department of Environment to ensure that it gets value for money. Moreover those whose rents are paid by the State are the most economically vulnerable and frequently suffer from other disadvantages, it is therefore important that they can rely on the State to ensure that their accommodation is up to an appropriate standard.

#### Department contribution to tenancy sustainment

Rent supplement is paid on behalf of many people who have health, mental health or addiction problems which may place the tenancy under threat. In Threshold's experience, this is a factor that can lead to a high turnover of rent supplement tenancies.

Threshold calls on the Department to make a contribution to tenancy sustainment services which would actively engage with new tenants to ensure that they meet their obligations and address any problems which arise. Tenancy sustainment is already successful in assisting formerly homeless people to move into tenancies but would also assist many other people, in particular people who are moving into the rented sector for the first time. It would benefit single-person households and one-parent families in particular.

### Reform of rent supplement

The reform of rent supplement is essential to ensure that the State gets value for money from the scheme. It is also necessary to reform rent supplement to prevent the way the scheme is administered becoming the source of disputes between tenants and landlords.

Threshold calls for the following reforms to be introduced to the rent supplement scheme:

- Rent supplement should be paid in advance and not in arrears as is the case with mainstream private rental tenancies;
- Ensuring that rent supplement recipients become RAS-eligible at an earlier stage;
- Paying rent supplement directly to the landlord;
- Giving new recipients written approval in principle prior to securing accommodation;
- Backdating new rent supplement claims to the date of application;
- Providing written decisions to refusals of rent supplement;
- Continue payment of rent supplement where a decision has been made to suspend payment but the grounds for doing so are disputed by the tenant;
- Reducing the time period to take to process an SWA appeal.

Rent supplement is currently paid in arrears and this sets rent supplement tenancies apart from the generally rented sector. It is a significant disincentive for landlords to accept new tenants on rent supplement as they have to wait until the end of the month to receive rent. A landlord is much more likely to take a private tenant over one who depends on rent supplement. This reform does not impose any significant cost on the rent supplement scheme and greatly improves the situation of recipients.

Threshold advocates that rent supplement recipients should be made RAS-eligible at an earlier stage, where they have been assessed as having a long-term housing need. Becoming RAS-eligible greatly helps tenants. They pay a differential rent as well as being able to work for more hours in a week and keep their housing support. Threshold calls on the Department to shorten this period to 12 months from the current 18 months.

Rent supplement should be paid directly to landlords and not through the tenant. Theoretically, the tenant can now elect for rent supplement to be paid directly to the landlord but some Community Welfare Officers will not facilitate such requests. Paying rent supplement directly to landlords as a matter of course would remove the source of many disputes between landlords and tenants. A delay in paying rent supplement, for example may cause unnecessary conflict between landlords and tenants. Landlords would be assuaged if they were confident that any delay was genuine and not an excuse given by the tenant to avoid passing on the rent.

Direct payment to landlords would facilitate the Department in making further cuts to rent supplement or to apply a withholding tax. Threshold further believes that the system would operate more effectively if the full amount of the rent were paid to the landlord and the tenant's contribution deducted at source. This is administratively possible as most rent supplement tenants receive other forms of social protection benefits. This measure

would counter the practice whereby landlords seek under-the-counter payments from tenants.

It is Threshold's experience that the first weeks of a tenancy are the most likely time for disputes to arise between landlords and tenants. This is especially true where a tenant is waiting on a rent supplement claim to be processed. It is understandable that there is tension as the landlord will not be receiving any rent. The effective doubling of rent supplement applicants has imposed a huge administrative burden on Community Welfare Officers and local authorities. Threshold calls on the Department to respond by streamlining the process for new applicants. This includes completing Housing Needs Assessments to new applicants prior to those applicants approaching landlords to rent a dwelling. New applicants would have prior written approval in principle to avail of rent supplement to specified levels. This would make it faster and easier for new applicants to avail of rent supplement.

Threshold calls for reform of the Community Welfare service to ensure consistency across the country and to encourage the use of written response to clients. Threshold has come across many new applicants of rent supplement who only receive the payment from the date the claim is approved as opposed to backdating payment to the date of application. This leaves the landlord at a shortfall for the rent due while the claim was being processed and places the tenant in arrears of rent. This is contrary to the tenants obligations under the Residential Tenancies Act and leaves them vulnerable to lawful eviction.

Furthermore, many Community Welfare Officers do not give reasons for refusing a claim in writing. This makes it difficult for applicants to appeal decisions as they cannot effectively prepare the grounds of appeal. It is also essential for the Minister to deal with the prolonged delays in processing appealing. It can take 12 months to process an appeal.

Threshold assists many tenants whose rent supplement payment has been suspended. This suspension places the tenant in a vulnerable situation with respect to their housing. While the tenant can dispute the grounds on which the payment has been suspended, rent supplement will not be paid while the appeal is under consideration. This places the tenancy at risk. This has caused great tension amongst landlords and tenants and led to the illegal eviction of those tenants. Threshold calls for faster appeals and for rent supplement to be paid while the appeal is under consideration.

### Conclusion

The proposals in this submission are drafted with the twin aims of achieving value-for-money for the Department and protecting the most vulnerable in these difficult times. We look forward to raising these issues at the forthcoming pre-Budget forum in October.

ENDS